NON-MONETARY GOLD MOVEMENT

Following the general IMF concept, non-monetary gold movement is here used to mean private gold imports and exports. Government (official) gold transactions and gold transit are treated separately.

Lebanon allows the free importation of gold, whether bullion or coins; but gold exportation is subject to licensing. In 1951-52 licences were used very restrictively and covered only very small shipments of gold jewelry and ornaments to Saudi Arabia. There was a short-lived exception in the first two quarters of 1951, where the exportation of gold coins was authorized.

A good deal of the imported gold goes into the Government's official reserves, as currency backing, or is locally consumed in the making of jewelry and ornaments. It is estimated that an average of 30 kilograms is so consumed weekly (or about 1 ½ tons a year). The balance goes into private hoards. When possible, it is smuggled out of the country. Sometimes, as in 1951, when sales profits are high because of an expanded foreign demand or of large government purchases, there may even be net private dishoarding.

It has not been possible to determine accurately the quantity or value of private hoards; they are, however, known to be fairly large. As in other countries in the Near and Far East, gold is still in Lebanon the best alternative to land as the most popular medium in which savings are accumulated. Estimates of private hoards vary between 5 and 10 tons, to which should be added a large amount of gold jewelry. Such jewelry often consists of no more than gold coins mounted on, or connected with, a gold chain to a bracelet or neck piece.

A. Gold imports

Gold imports in Lebanon consist of gold bars and coins. Quantum and value records of these imports are kept at the Customs. The value records, however, are extremely unsatisfactory

in 1952.[1] Thus non-monetary gold imports were LL. 14.3 million in 1951 and LL. 36.5 million in 1952.

B. Gold Exports

Except for the two first quarters of 1951 when the exportation of gold was authorized, no gold export is recorded at the Customs. A great deal of gold, however, is known to be smuggled out of the country. The total value of this traffic can only be inferred from the detected cases of contraband.

In 1951, as exportation was allowed during the first six months, smuggling was naturally restricted and the cases of detected contraband were consequently relatively few. The Customs files report seized quantities valued at LL. 730,265 at the official rate, or LL. 1.2 million at the free rate. Assuming again that only one-fifth of the traffic was detected, its total value would be about LL. 6 million. To this should be added regular exports which are recorded at the Customs at LL. 8 million (cf. Table 16). This latter figure should be revalued to account for the undervaluation of export declarations. If adjusted to cover the same degree of undervaluation as for merchandise export (cf. p. 16), gold exports would be LL. 9.2 million; and consequently total gold sales (including smuggling) would amount to LL. 15.2 million in 1951.

In 1952, as no exports were licensed, smuggling expanded. This is indicated by the large increase in cases detected. Value of gold seized amounted to LL. 1.3 million at the official rate, or LL. 2.5 million at the free rate, i.e., more than double the cases detected in 1951. It is likely, however, that as the large quantities involved led to greater care by the smugglers, only one-tenth of the traffic was detected. Thus total traffic may well have been around LL. 25 million.

C. "Net" Movement

In 1951, non-monetary gold imports were LL. 14.3 million and foreign sales LL. 15.2 million. As an additional 1 ½ tons of gold is normally consumed annually for industrial purposes (i.e., LL. 7.5 million at the prices ruling in 1951) there was, therefore, "net" disbanding of LL. 8.4 million which came from private reserves. It should be remembered, however, that during the same

[1] International Financial Statistics, International Monetary Fund, Washington D.C., U.S.A.

INVESTMENT INCOME

1957 1. Investment income includes, on its debit side, the yearly earnings that are transferred abroad, of foreign businesses established in Lebanon. According to present legislation, these businesses, whether they constitute independent companies or are branches of foreign concerns, have to submit to the Ministry of Finance a yearly balance sheet of their activities in Lebanon for income tax purposes. From these balance sheets, it has been possible to determine these businesses' net distributed profits in 1951 and 1952, namely L.L. 11.8 million and L.L. 9.2 million respectively. There is no doubt that these figures, like all estimates based on tax returns, are understated. No attempt has been made to adjust them, however, on the basis that the undervaluation is probably offset by that part of the profits which is not transferred abroad but is distributed locally to resident shareholders.

1957 2. Income from Lebanese investment abroad may be divided into four categories:
1954

(a) Many residents in Lebanon hold large portfolios of foreign (mainly French, but also Egyptian and British) securities. As there is no exchange control and, therefore, no compulsory recording of these portfolios, any estimate of their importance or value cannot be more than a pure guess. However, as some of the holders of these securities have formed an association to defend their common interests, particularly with regard to double taxation, it has been possible to interview them regarding their own estimates of both the total value of securities held and dividends earned. Estimates of the former varied between L.L. 15 and L.L. 25 million; but the dividends were in most cases reported to be about 5 per cent net. On the basis of these figures, the average yearly earnings from foreign portfolios would be about L.L. 1 million.

(b) A few Lebanese nationals own also large tracts of land abroad, especially in Syria and Egypt. Here again no exact

457 454 information is available regarding annual returns, but as the number of owners concerned is relatively small, personal interviews have been possible. Income from landed property abroad is reported to have been exceptionally large in 1951 and 1952 mainly because of the high prices of cotton and wheat in that period. Annual returns of LL. 2.5 million in 1951 and LL. 3 million in 1952 are not improbable.

(c) To the above two types of income should be added the interest earned on the private balances held abroad, mainly in France and the United States. Balances in other countries are small and can be disregarded. Private balances in the United States at the end of 1951 were $15.34 million and in France the equivalent of $12.03 million; at the end of 1952, respective figures were $19.28 million and $10.93 million.[1] A few banks were asked about the interest earned on these accounts and a 2 per cent average estimate was arrived at. Annual earnings were, therefore, about LL. 2.1 million in 1951 and LL. 2.2 million in 1952. The conversion into Lebanese pounds has been made at the rates ruling at year ends, i.e., LL. 3.3 per dollar in 1951, and LL. 3.57 per dollar in 1952.

(d) Finally should be mentioned the earnings of Lebanese businesses abroad, especially in Syria and the other Arab countries. Earnings in Syria, in the last few years, have been on the decline as the Syrian decree No. 151 is making it extremely difficult for foreigners (including Lebanese) to work in that country. However, annual returns from businesses abroad may still be around LL. 10 million. Moreover, a great development may occur in that line in the near future, when the relatively recent investments made in the Arabian Peninsula and Iraq start bearing fruit.

Taken together, the above estimates would indicate total incomes from foreign investments of LL. 13.6 million in 1951 and LL. 16.2 million in 1952.

1 *International Financial Statistics*, International Monetary Fund, Washington, D.C. U.S.A.

434 525 3001 - 25,000 L.L. receive forty-three percent of the income and those four percent which make over 25,000 L.L. receive thirty-six percent of the income.

434 The total income of Beirut from all sources is estimated at 349,062,286 L.L. The mean income per family, which is not a good measure in this instance, is 6792 L.L. or 1179 L.L. per capita.

Distribution of income in the various census districts is much more even than is generally assumed. All income groups seem to be found in equal numbers in all census districts except Ain el Mreisseh which has a higher average.

8.4 **Amount of savings in year previous to interview, Table 118**

454 Only one household in twenty claimed to have saved money in the previous year or 2841 families estimated in the general population. However, only three percent of the households saved over four fifths (84 %) of the total. The estimated total for the population is 14,752,000 L.L.

p. 24(A)

12: Churchill S-5 (1952) 1954 ME1 Lebanon ME1

454

8.5 Investment of savings. Table 119

An attempt was made to investigate in what form savings were invested. Unfortunately about half of the investments fell into our miscellaneous category. The largest three specific categories were in order: tangible miscellaneous assets (13 %), bank notes (12 %), and real estate (11 %). The figures are highly unreliable statistically and are presented for whatever interest they may have for future research.

8.6 Attitudes toward improvement in economic status. Tables 120, 121 and 122

434

Relatively few of those interviewed (13 %) felt that there had been an improvement in their economic status compared to the previous year. On the other hand, it is not known how many felt that their status had deteriorated inasmuch as this question was not asked.

A substantially larger number (18 %) felt that their economic status had improved since five years before, and an even larger percentage (21 %) felt an improvement over conditions ten years before.

p. 24 (B)

13: Churchill s-6 (1955) 1954 ME1 Lebanon ME1

Table 118

Amount of Savings in Year Previous to Interview

Amount in Lebanese pounds	Number	Percent
Total	1821	100.00
0 — 25	—	—
26 — 50	—	—
51 — 75	—	—
76 — 100	—	—
101 — 150	2	0.11
151 — 200	3	0.16
201 — 300	8	0.45
301 — 400	3	0.16
401 — 500	4	0.22
501 — 750	3	0.16
751 — 1000	13	0.71
1001 — 2000	26	1.43
2001 — 3000	12	0.66
Over 3000	28	1.53
None	1719	94.40

$\sigma_{\bar{M}} = 46.5$

$v = .158$

454

Table 119

Investment of Savings

Uses to which savings were put	Number	Percent
Total	105	100.00
Gold	2	1.90
Foreign currency	—	—
Bank notes	13	12.38
Real estate	12	11.43
Bank account	7	6.67
Tangible miscellaneous assets	14	13.34
Stocks and bonds	1	0.95
Insurance	1	0.95
Others	53	50.48
No answer	2	1.90

p. 60 (A)

241
133
132
134
311
439

This has been achieved by increasing production of fruit and vegetables, for both of which Lebanon has great natural advantages. The topography of the country and the unequal distribution of rainfall provide a diversity of climate which makes it possible to grow tropical fruits, sub-tropical fruits and fruits of the temperate zone. Soils are also sufficiently varied to suit a wide range of crops. Water is usually available in sufficient quantity, either as rainfall or from small-scale irrigation schemes. Plant diseases and pests are less prevalent than in most parts of the Middle East. The density of the rural population has made it profitable to concentrate on labour-intensive crops, while the relatively high level of education in country areas has encouraged innovation. The broken nature of the land has prevented large-scale mechanization, except in the plains, and has favoured crops which require little land, as has the prevalence of small-scale ownership. 1/ Finally, Lebanon's location has given it access to several important markets, such as Egypt for deciduous fruits, Syria and the Persian Gulf area for most fruits and vegetables, Palestine (until 1948) for vegetables, and Europe for early ripening varieties of citrus fruit and apples.

454
241
312
242

The expansion of fruit and vegetable crops was made possible by heavy capital investment. New terraces were built on mountain slopes, and old ones were repaired and strengthened. Various small-scale works carried out since 1942 have substantially increased the irrigated area. The use of selected seeds has considerably increased, as has that of chemical fertilizers. Before the Second World War, some 5,000 tons of chemical fertilizers were imported into Lebanon and Syria yearly. In 1947, Lebanon alone used 8,500 tons 2/ and 1951-53 imports into Lebanon averaged 23,000 tons. Lastly, there has been a rapid expansion of refrigerated storage space facilities. 3/ The greater part of the necessary capital came from outside agriculture, especially from commercial profits and incomes earned in services; the irrigation works were financed through the budget.

241
433

The rise in output of fruit and vegetables may be illustrated by citrus fruit, which increased from 70,000 tons in 1944 to 100,000 tons in 1954 and

---

1/ No general figures on land distribution are available but on the basis of information gathered in the course of a village survey jointly undertaken in 1953 by the Lebanese Office of Statistics and the United States Foreign Operation Administration, the following estimate may be made: some 10 per cent of the land is in holdings of 100 hectares and above and 15 to 20 per cent in holdings of 10 to 100 hectares; the total number of large and medium holders is 6,000. The remaining 70 to 75 per cent belongs to 133,000 smallholders, most of whom own less than two hectares. There are few landless labourers, and most of these rent land from the larger owners ("Proceedings of the Agricultural Credit Conference", Beirut, 12-14 October 1953).

2/ Sir Alexander Gibb and partners, The Economic Development of Lebanon (London, 1948), page 45. A breakdown shows that 42 per cent consisted of nitrogenous fertilizers, 33 per cent of superphosphates and 19 per cent of potash. Some 37 per cent of the total was applied to potatoes, 29 per cent to other vegetables and 35 per cent to fruit.

3/ The present capacity of refrigerators is estimated at over one million crates, or about 20,000 tons, Le Commerce du Levant, 1 October 1954. Capital invested in refrigerators totalled £L 8 million in 1952, and has considerably increased since then.